

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

04 - 11

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH FINANCING ADMINISTRATION
DEPARTMENT OF HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 460.182

7. FEDERAL BUDGET IMPACT:

a. FFY 05 \$ -0-

b. FFY 06 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Supplement 2, Attachment 3.1-A, page 7 and 7.1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Supplement 2, Attachment 3.1-A, page 7

10. SUBJECT OF AMENDMENT:

PACE capitation rate development procedures

11. GOVERNOR'S REVIEW (Check One):

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:
Paul Reinhart, Director
Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Paul Reinhart

14. TITLE:
Director, Medical Services Administration

15. DATE SUBMITTED:

Sept 28, 2004

16. RETURN TO:

Medical Services Administration
Program/Eligibility Policy Division - Federal Liaison Unit
Capitol Commons Center - 7th Floor
400 South Pine
Lansing, Michigan 48933

Attn: Nancy Bishop

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

9/29/04

18. DATE APPROVED:

19. EFFECTIVE DATE OF APPROVED MATERIAL:

10/01/2004

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPE NAME:

Cheryl A. Harris

22. TITLE:

Division of...

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Program of All-Inclusive Care for the Elderly (PACE)

I. Rates and Payments

- A. The State assures HCFA that the capitated rates will be equal to or less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service. Please refer to the attached rate setting information specific to Michigan.

1. X Rates are set at a percent of fee-for-service costs
2. Experience-based (contractors/State's cost experience or encounter date)(please describe)
3. Adjusted Community Rate (please describe)
4. Other (please describe)

- B. X The rates were set in a reasonable and predictable manner. A letter from an actuarial consulting firm under contract with the State and supporting the rates shall be submitted with the proposed rates for every rebasing year and may be submitted with the rates for other years at the State's discretion. The Medicaid portion of the PACE rates will be rebased at least every fourth year by selecting a time period where costs and eligibility data have been stable and computing the costs of persons who have met the nursing home level of care, including individuals who utilize the MI Choice Home and Community Based Services Waiver for the Elderly and Disabled. Costs are analyzed in seven provider type categories: nursing facility, home and community based waiver, inpatient hospital facility, outpatient hospital facility, physician services, ancillary services, and pharmacy. These cost components are computed using Medicaid claims and eligibility data stored on the Michigan data warehouse.

Costs are then aggregated into per member per month costs and updated for inflation and other trends to bring them into the proposed payment period using adjustment factors. Rates are discounted at least five percent from the projected costs for the eligible PACE population. In the analysis for the rebasing years and the years subsequent to rebasing computations, base rates are updated using trend factors for each provider type cost category. Cost trend factors are the Global insight Skilled Nursing Home Market Basket for nursing facility cost category and State Medicaid actuarial trend projections for the remaining provider categories for the geographic area served by the PACE provider. These trend factors may then be adjusted to account for the projected effects of policy changes unanticipated by the Global Insight national industry trend or implemented after the time period of the base data used for the estate Medicaid Actuarial trends.

TN NO.: 04-11

Approval Date: DEC 14 2004

Effective Date: 10/01/2004

Supersedes

TN No.: 03-05

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Program of All-Inclusive Care for the Elderly (PACE)

- C. X The State will submit all capitated rates to the HCFA Regional Office for prior approval.
- V. Enrollment and Disenrollment: For both State Medicaid Agencies and State Administering Agencies, the State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month. In cases where the State Medicaid Agency is separate from the State Administering Agency, the State Medicaid Agency assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the two agencies.

TN NO.: 04-11

Approval Date: DEC 14 2004

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TN No.: N/A new page